

MINUTES OF THE CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

January 28, 1997

The Capital Projects and Bond Oversight Committee met on Tuesday, January 28, 1997, at 1:00 p.m., in Room 129 of the Capitol Annex. Representative Robert Damron, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Robert Damron, Chairman; Senators Tom Buford and Denny Nunnelley; Representative Jim Wayne.

Guests: Representative Gippy Graham; Representative Greg Stumbo; Crit Luallen, Secretary of Governor's Cabinet; Bill Hintze, Ron Carson, Roger Burge, Earl Clements, Allen Holt, Governor's Office for Policy and Management; Secretary John McCarty, Bonnie Howell, Finance and Administration Cabinet; Commissioner Armond Russ, Jim Abbott, Paul Hoffman, Department for Facilities Management; Tom Howard, Kim Blitch, Marilyn Eaton-Thomas, Bart Hardin, Office of Financial Management and Economic Analysis; Secretary Margaret Handmaker, Revenue Cabinet; Ron Bingham, EMPOWER Kentucky; Dr. Robert Tarvin, School Facilities Construction Commission; David Bratcher, Lori Flanery, Economic Development Cabinet; Bill Burnette, Danny Willis, Department of Agriculture; Tom Willis, Department of Education; Jim Owens, Department of Fish and Wildlife Resources; Dr. William Martin, Department for Natural Resources; Bob Bender, Hugh Smith, Department of Parks; Susan Lambert, Office of Geographic Information Systems; Doug Robinson, Kentucky Information Resources Management Commission; Paul Isaacs, Leesa Hayden, Nick Schwendeman, Debra Wash, Administrative Office of the Courts; Mary Allen, University of Kentucky; Sherron Jackson, Council on Higher Education; George Binion, Kentucky Interlocal School Transportation Association; Terrell Ross, Ross, Sinclair and Associates; Henry Reed, Bond Counsel; Roger Peterman, Peck, Shaffer and Williams; Jack Affeldt, Jerry Bailey, Sharon Cantrell, Barri Christian, Karen Crabtree, Betty Davis, Gerard Donovan, Sheila Hardy, Karen Hilborn, Adanna Hydes, Don Judy, Norman Lawson, Wanda Meeks, Nancy Osborne, Charles Shirley, Doug Teague, LRC.

1. The Kentucky Lottery Corporation provided its monthly financial report for November 1996.
2. The Finance and Administration Cabinet submitted its quarterly status report for capital projects authorized by the last 2 General Assemblies.

Chairman Damron said first on the agenda was a status report on EMPOWER Kentucky to be provided by Crit Luallen, Secretary of the Governor's Cabinet and Chair of the EMPOWER Kentucky Redesign Steering Committee; Ron Bingham, Project Manager; and Bill Hintze, Deputy State Budget Director, Governor's Office for Policy and Management. Secretary Luallen said EMPOWER Kentucky is much further along than it was when the last status report was provided to the Committee in September. She said the Steering Committee, created in the budget language, ensured legislative and executive branch cooperation and coordination during the interim on the EMPOWER Kentucky initiative. Since Kentucky is the first state attempting to undertake such a comprehensive re-engineering effort, she said she was extremely pleased with the outcome of the process. Not only had the process identified savings beyond what was anticipated, the program administrators have seen a new enthusiasm on the part of the 250 state employees trained in this process.

Secretary Luallen said EMPOWER also has taught important lessons about how to plan and implement technology in state government more effectively and efficiently, and some of the changes initiated by EMPOWER Kentucky in this area could have as far-reaching an impact as any of the short-term specific projects that will be reported today.

Secretary Luallen said legislative support for and involvement in EMPOWER Kentucky has been critical, and the help and support of this Committee and the Interim Joint Committee on Appropriations and Revenue, in particular, have been appreciated. She reported that Representative Harry Moberly, a member of the Steering Committee, told the Steering Committee he would like to see a continuing strong legislative involvement in EMPOWER Kentucky as it moves forward. Members of the Steering Committee agreed and will be working with legislative leadership to ensure that happens.

Secretary Luallen said the Governor committed that, if the General Assembly gave him the ability to spend \$100 million, it would be invested in ways that would return annual recurring savings of \$50 million to the state's General Fund. EMPOWER

very pleased with the results from a financial standpoint; if all of the projects are fully implemented, annual recurring savings of about \$140 million will be realized.

Mr. Bingham reviewed the process used by EMPOWER Kentucky to determine funding priorities and described the process used to select initiatives for funding. He identified the 5 major projects agreed to by the Steering Committee, in order of priority: (1) Simplified Administrative Services (financial and procurement management); (2) Simplified Revenue Systems; (3) Simplified Access to Services of the Cabinets for Workforce Development, Families and Children, and Health Services; (4) Simplified Regulatory Systems (Natural Resources and Environmental Protection Cabinet, Department of Agriculture, Cabinet for Health Services); and (5) Transportation Cabinet Process Improvements.

Mr. Bingham noted of the 3 major initiatives identified under Transportation Cabinet Process Improvements, the Vehicle Titling and Registration program will be funded by EMPOWER as moneys become available. The other 2 initiatives, Motor Carrier Tax Collection and Motor Vehicle Enforcement, will be funded internally with Road Funds, and any savings will accrue to the Road Fund.

Mr. Bingham said there are other things that have to be done to enable these efforts and the savings identified to come to fruition. First, there must be consistent technology architecture with enforcement so that programs communicate and share information with each other. Second, there must be changes in personnel. Approximately 1,000 positions will be eliminated over the next 4-5 years. He said a process is in place to retrain those employees and find them other jobs. Changing technology would be requiring this anyway, although EMPOWER may be accelerating the situation. Third, there must be training for the teams and other employees.

Mr. Bingham said several of the initiatives will be implemented within 18 months; three will extend beyond FY 2000: Simplified Administrative Services, and Simplified Revenue and Regulatory Systems. These are staged implementations of major systems, but improvements will be made and money saved prior to FY 2000. He said the enabling information technology is vital, with an architecture that accommodates the needs of all programs and emphasizes communication to ensure data is sharable.

Mr. Bingham said investment of about \$98 million currently available will fully fund 2 of the major initiatives, the Simplified Administrative Services and Simplified Revenue

Mr. Bingham concluded his comments by saying the cabinet secretaries are totally committed to the program and savings identified.

Senator Nunnelley asked about the status of TWIST, The Worker's Information SysTem, being implemented by the Cabinet for Families and Children to give field social workers automated access to client information. Mr. Bingham said the Cabinet's Information Systems Manager told him that morning he thought the system was up and operable. He said he hoped EMPOWER could build on that system. Chairman Damron said at the January meeting of the Interim Joint Committee on Health and Welfare, Families and Children Secretary Viola Miller reported there are still some bugs being worked out in the system.

Chairman Damron asked what plans the Executive Branch had to ensure that knowledgeable staff are on board to make sure that EMPOWER technology projects stay on track and are completed as intended and within their budgets. Mr. Bingham said project teams are being initiated to implement projects, and the leader of each team is a career employee so the knowledge imparted to the teams will remain. There will be a central project office which has the electronic tools to track all expenditures and all savings. Several people will be added to the project office to be trained on the tools and keep them up and running. The money will be kept centralized and released to pay verified valid expenses.

Chairman Damron asked about involvement by the Kentucky Information Resources Management (KIRM) Commission. Secretary Luallen said KIRM has been very involved in EMPOWER, noting that Doug Robinson, Executive Director of KIRM, served on the Steering Committee as well as the Emerging Technologies Committee which helped develop recommendations for future technology planning efforts. One of the recommendations growing out of EMPOWER Kentucky is for a state Chief Information Officer; many of the states on the cutting edge of technology are moving to that structure, where an individual with strong credentials and background in technology planning develops a strategic planning approach for technology. Secretary Luallen said the Administration will determine what is the best, most efficient structure for technology-related components in state government, including the Department of Information Systems and KIRM. She noted they are looking at what other states are doing, to see what has and has not worked. Kentucky has made a number of changes in recent years in response to changing technologies, but until EMPOWER, the state had not taken everything apart and put it back together, pulling agencies across

Chairman Damron noted that savings due to "Simplified Access to Services" is estimated at a total of \$35.6 million through FY 2004, and he asked if that savings goes back to the TWIST program. Mr. Bingham said those savings were primarily from the Cabinet for Families and Children. Several million dollars in transportation costs will be saved. Several more million will be captured because the state will access more quickly federal funds that are due. He said the balance of the savings are from delivery of service. Chairman Damron asked if any of the savings come from elimination of social worker positions. Mr. Bingham said if there are any dislocations, it will be clerical and administrative employees, not caseworkers. Secretary Luallen stressed EMPOWER Kentucky has tried not to affect the delivery of services, except to enhance it.

Chairman Damron asked, other than the proposed additional funding of \$78 million, if any action is needed by the General Assembly for implementation of EMPOWER Kentucky. Secretary Luallen said there were several legislative changes needed to allow the Finance and Administration Cabinet to change some procedures, and to make changes in the personnel area. One of the most important would be a voluntary severance package for dislocated employees based on years of service. The state can do that now, but employees currently, also, have re-employment rights. The Administration would like to limit the options to either re-employment rights or the severance package. She said employees would be offered, however, a full package of training and redeployment services, and a team would be available to assist them in moving into another state government job.

Mr. Hintze said there are several important proposed changes to Finance and Administration statutes associated with full phasing in of some initiatives beyond the current biennium. He said the legislature had authorized initially greater latitude statutorially in expending EMPOWER Kentucky funds to maximize the potential benefits and savings. An extension will be sought to address areas in which EMPOWER has identified a need for further efforts. All of the details have not been worked out, but there will be a need to restructure some of the Finance laws to achieve maximum savings. There will be a need to extend some, probably not all, of the administrative discretion provided for EMPOWER Kentucky. Mr. Hintze said all of this will have to have General Assembly concurrence before it can extend beyond the current biennium.

Chairman Damron asked if Mr. Hintze was referring to a waiver of oversight for expenditures. Mr. Hintze said he expected it would be more a waiver of prior

Senator Buford said social workers had told him there are still problems with TWIST: they cannot access it, it is too slow, and when they need it, it is not there. Mr. Bingham said TWIST was a huge investment, and if parts of it can be built on, he thought the state should do so to minimize the total expense. He said he has heard that it is getting better, but still needs improvement. Senator Buford said he would not suggest the state discard TWIST, but it needs more attention.

Senator Buford said he understood EMPOWER Kentucky includes "one-stop shopping" for services, but state employees in Danville recently expressed concerns that the Administration was discouraging efforts to seek available federal funds for such an initiative. Secretary Luallen indicated one-stop centers is a federally-funded initiative the Workforce Development Cabinet is involved in, and said she is working closely with Workforce Secretary Rodney Cain's staff on the one-stop centers separate from EMPOWER. She said she knew of no problems, but would like to talk to those who had expressed concerns.

Senator Buford said he had also heard from Kentucky computer vendors that the state may plan to buy EMPOWER Kentucky equipment from Gateway, which would effectively shut out Kentucky vendors. Secretary Luallen said EMPOWER Kentucky is not yet ready to issue a Request for Proposals, but will go through the procurement process on all technology purchases. She said determination of which projects would be funded was made just the previous week and the process to develop procurement procedures had not been started, and she was unsure what the vendors meant. Senator Buford said the vendors who contacted him had contracts to do business with the state and said they were told that once their contracts expired, the state would buy directly from Gateway. Secretary Luallen said she did not think this could be related to EMPOWER Kentucky. Senator Buford agreed to provide details to Secretary Luallen and Mr. Bingham for follow-up.

Chairman Damron said this item did not require formal action by the Committee; he thanked Secretary Luallen, Mr. Bingham and Mr. Hintze for keeping the Committee informed about the planned use of the state's tax dollars.

With there now being a quorum present, Representative Wayne made a motion to approve as submitted the minutes of the December 17, 1996 meeting. The motion was seconded by Senator Nunnolley and approved.

legislation passed by the 1996 General Assembly, use allowances of more than \$200,000 annually are now considered capital projects under the Committee's jurisdiction. The capital construction statutes, however, do not address how the Committee is to review a request for an increase in use allowance. Chairman Damron thanked Paul Isaacs, AOC's Executive Director, for working with staff of this Committee and the Interim Joint Committee on Appropriations and Revenue to decide how to interpret current statutes and develop a review process.

Mr. Isaacs said he appreciated the willingness of this Committee's staff to sit down and work through the process. He said the Richmond/Madison County project submitted today is also the first project that the Court Facilities Standards Committee has approved, and he agreed there probably will be other court projects that will require increases in use allowance to support cost overruns. He said AOC will try to keep these increases to a minimum, and to only those projects for which cost overruns are unavoidable. He introduced Nick Schwendeman, AOC's Director for Facilities, and Debra Wash, Budget Analyst for the Facilities Division.

Mr. Isaacs said a quarterly report was provided on the status of projects that came before the Facilities Standards Committee meeting on January 9, and after each future meeting, a report will be provided for information to the Capital Projects Committee on the status of projects considered. He provided a summary of the status of 7 of the court projects authorized by the 1996 General Assembly and reviewed at the Facilities Standards Committee's January meeting. He noted that in 1996 the legislature also enacted a requirement that all newly authorized court projects are to meet standards established by the National Center for State Courts (NCSC). He said he, the counties, and court personnel agree this process has been very helpful and has improved the projects. Project updates given by Mr. Isaacs were as follow:

1. The Woodford County project to construct a courthouse addition is being prepared for bid and will soon be coming in for approval based on actual bids.
2. The Warren County project to construct an addition and renovate existing space is also preparing final revisions for bids; completion dates are now estimated as October 1998 for Phase I and April 1999 for Phase II.
3. The Madison County project for HVAC upgrade should be bid before the next Facilities Standards Committee meeting.
4. The Kenton County project to construct a new courts facility has been expanded from 57,800 sq. ft. to 89,491 sq. ft. based on NCSC recommendations to

6. The Jefferson County project to construct an addition and renovate the Hall of Justice is in the final stages of design and will be submitted for preliminary approval at the next Standards Committee meeting. An additional \$1.3 million to include appellate courts in the facility will not affect the use allowance since the court system is currently renting that space elsewhere. Planned completion dates are March 1999 for Phase I and March 2000 for Phase II.

Mr. Isaacs said the Facilities Standards Committee has taken a very firm position that it will not approve any change in a project's scope at the preliminary design stage, even if it can be done without changing the authorized use allowance. The Committee feels that if it does so at that stage, it loses control, and it needs to keep it tight until actual bids are received. In working with Capital Projects Committee staff, he said, the question was discussed of what to do when a project's bid comes in over its authorized use allowance. In working through this "unplowed ground," the suggestion was made that AOC request the Committee's approval to change a use allowance, if (1) the cost overrun does not exceed 15% of the original cost, which is a statutory threshold applied to Executive Branch and university projects, (2) AOC staff has found, and the Facilities Standard Committee agrees, that the increased cost is unavoidable and justifiable, and (3) the AOC can meet the increased use allowance within its existing budget.

Mr. Isaacs said the Richmond/Madison County District Courts Complex project came before the Facilities Standards Committee at its last meeting. Local officials requested a 14% increase in annual use allowance from \$348,000 to \$398,000, to support a total project cost increase from \$4,350,000 to \$5,400,000 (24%), based on actual bids. Part of the reason for the increased cost is NCSC recommended the size be expanded from 12,255 sq. ft. to 14,035 sq. ft. to meet future needs. He said AOC staff and local officials agreed the increase in square footage was necessary. The City of Richmond agreed to cover the \$138,000 in increased professional services and also to work with AOC staff to see if the cost could be further reduced. Based on that presentation, and AOC staff's report that the increased use allowance could be met within AOC's current operating budget, the Facilities Standards Committee unanimously voted to approve an increase in use allowance not to exceed 15%. If the cost increase exceeds 15%, Richmond will have to fund the additional cost.

Chairman Damron noted Capital Projects staff recommended that any approval motion stipulate that the approval is only for a use allowance increase in the current biennium and not a commitment for future funding. Mr. Isaacs agreed.

Mr. Isaacs said factors contributing to the increased cost include compliance with the Americans with Disabilities Act, and the 1,368 sq. ft. added to the project based on the NCSC recommendation. He said an important aspect of NCSC review is that it focuses on meeting needs for 20-30 years, so court facilities do not have to be redone every 5 years.

Chairman Damron said one thing that concerned him about the current process for funding court projects is legislators see the relatively small cost, the use allowance, when, in fact, there is a tremendous cost to taxpayers for court facilities across the state. If court projects were discussed in terms of total cost, citizens and legislators would take notice. He said he also was concerned that court projects, as local projects, are outside the purview of the Finance and Administration Cabinet. He noted when prevailing wage did not apply to local government projects, there was some logic for considering them local projects.

Chairman Damron asked, in looking ahead to consideration of requests by the 1998 General Assembly, if plans are being made to include contingency amounts in use allowances for projects, or if the General Assembly should be looking at court projects in terms of their actual cost. He also said he is asked by constituents why the state needs so many new court facilities - whether there is that much more crime or if it is due to us becoming a more litigious society. Mr. Isaacs said at this point, AOC is not suggesting a different method of financing. In only a few areas are court facilities just court facilities; in most counties, they house a mix of elected officials who are not part of the court system, and that is part of the reason that the use allowance system was developed. In very few counties are separate facilities needed just for courts, and it is much more efficient to have a mixture of functions in them.

Mr. Isaacs said AOC is looking at how it has administered projects in the past and how the process can be improved. One idea being considered is building in contingency funds; the level of funding provided in the 1996-98 budget was a great increase over anything the court system had seen in the past, and AOC is trying to deal with the need for contingencies. The AOC is also looking at working with local officials in a much more aggressive way to develop projects and cost estimates and to review the projects. He said he believed the process will work better in the future.

Representative Wayne noted information provided on the Richmond project

handle on since court projects were not, until recently, affected by the prevailing wage law.

Representative Wayne asked if AOC can estimate how much of the increase in scope on the Richmond project was due to the increase in square footage and how much was due to the prevailing wage law. Mr. Isaacs said AOC has a pretty good handle on the cost of the additional square footage, but prevailing wage is very difficult because it is unknown what contractors would have bid if prevailing wage were not applicable. He said the Facilities Standards Committee has discussed the need for this information and AOC is trying to work out a way to get it.

Representative Wayne asked if Mr. Isaacs could report back next month on the question, because there will likely be cost overruns on more court projects, and guidelines would be helpful. He said contractors could be using prevailing wage to increase their profits by pocketing the difference. Mr. Isaacs said as AOC makes its quarterly status reports, it will identify the bidding process and provide what information it has at that time. He said prevailing wage has to be analyzed on a county-by-county basis, and he would be contacting the Labor Cabinet for assistance and will report back on the findings.

Chairman Damron said a comparison between what contractors have paid their workers on similar jobs that were not prevailing wage and what they are paying on these projects would be helpful. Mr. Isaacs said AOC does not deal directly with contractors because these are local projects, but he would try to develop those figures.

Senator Buford said his understanding is that county governments usually are in charge of court projects, and he asked why the City of Richmond is in the forefront of this one. Mr. Isaacs said the Facilities Standards Committee reviewed proposals from both Madison County and the City of Richmond, and the Committee felt very strongly that the City project was preferable, and that is the one that was recommended to and funded by the General Assembly. He noted the Standards Committee also funded a heating and air conditioning project for existing County facilities because that was considered a priority. Senator Buford said as a rule, when court projects are paid off, the use allowance goes to the county system, but on this project, the use allowance will go to the city system. Mr. Isaacs said that is correct. Senator Buford asked if anyone has complained about the future loss of revenue to the County. Mr. Isaacs said he had not heard any complaints since the original proposals were put forth by both entities.

Chairman Damron noted Representative Harry Moberly, Jr. also had expressed his support for the increased use allowance and the cost overrun for the project.

Senator Buford made a motion to approve the use allowance increase and the cost overrun for the project, subject to the understanding that the approval is effective only for the current biennium. Representative Wayne seconded the motion, which was approved by unanimous voice vote.

Next were state lease reports from the Finance and Administration Cabinet. Jim Abbott, Director, Division of Real Properties, was present. First reported was amortization of the cost of agency-requested modifications over the remaining term of a state lease: PR-3590, providing office space for the Cabinet for Families and Children (CFC) at the First City Complex on the East-West Connector in Frankfort. CFC requested that automated door openers be provided for the main entrance and the computer room's secured door to accommodate staff with disabilities. The lessor submitted 2 bids for each component of the work, and the low bids totaling \$7,165 were approved. The lessor requested that interest at 9.25% (approximately \$660) be paid on the amortized amount. The lease contract's expiration date is unchanged at June 30, 1998. Approximately \$7,825 will be amortized over the remaining lease term, increasing the cost per sq. ft. of the lease from \$8.34 to about \$8.40, and the annual cost of the lease from \$830,474 to about \$835,447.

Mr. Abbott also reported square footage increases for 2 state leases during October, November, and December 1996, to meet current program needs of the agencies. Although overall square footage and total annual rent have increased, the rental rate per square foot for each lease remains the same.

1. PR-3164 - Anderson County (Department of Corrections) - An increase of 411 sq. ft., for a total of 2,413, to provide an additional restroom for employees and clients in the drug testing program at this Probation and Parole Office, and to provide additional storage space.
2. PR-3856 - Warren County (Workforce Development Cabinet) - An increase of 1,069 sq. ft., for a total of 4,069, to alleviate overcrowding.

KRS 56.823(7) requires that lease modifications of less than \$50,000 be reported after execution; no Committee action is required.

operation by mid-1997. Ballard County will own the equipment and will lease it to Westvaco for \$1.00/year for 20 years; the Company will have the option to renew the lease or to repurchase the equipment at any time for its then fair market value.

Westvaco is a publicly held (New York Stock Exchange) company with manufacturing facilities worldwide. It manufactures paper and specialty chemicals used in consumer and industrial packaging. The Company currently employs 650 people at its Wickliffe facility. The Company has committed to create 60 new full-time jobs within 2 years and to maintain those jobs through a third year. The jobs will have average annual wages of \$44,300. Failure to create and maintain 60 jobs will result in required repayment of the grant by the Company to the Commonwealth at \$10,448 for each job not created or maintained. Other funds for the project include industrial revenue bonds (IRBs) of \$5,740,000 to be issued by the City of Wickliffe on behalf of the Company, and Company equity of \$85,052,150, for a total project investment of \$91,419,000.

Mr. Bratcher also reported a proposed EDB grant of \$150,000 to the City of Hopkinsville, Christian County, to purchase equipment from I.G. Autotrim, a manufacturer of automobile interior trim parts, to be leased back to the Company for use in its new 106,000 sq. ft. plant, which is located on a 15-acre site in the Hopkinsville Industrial Park. Hopkinsville will own the equipment and will lease it to I.G. Autotrim for \$1.00/year for 20 years; the Company will have the option to renew the lease or to repurchase the equipment. The plant is already in operation.

I.G. Autotrim, a Michigan corporation, is owned primarily (80%) by Irausa, S.A. located in Burgos, Spain. Irausa is one of the world's largest automotive parts suppliers. In addition Reiter Automobile Globe, Inc. (Chicago) and United Screw and Bolt Corp. (North Olmstead, Ohio) each own 10% of I.G. Autotrim.

The Company has committed to create 400 full-time jobs within 2 years and to maintain them through a third year. Failure to create and maintain 400 jobs will result in required repayment of the grant by the Company to the Commonwealth at \$375 for each job not created or maintained. Average annual wages are \$24,000 for semi-skilled labor (365 positions), \$35,000 for technical/skilled labor (28 positions), and \$60,000 for managerial employees (7 positions). Other funding for the project includes IRBs of \$5,740,000 to be issued by Hopkinsville on behalf of the Company, a bank loan of \$2,760,000, and Company equity of \$2,000,000, for a total project investment of \$10,650,000. [In March 1995 the Company was approved for tax credits up to

Chairman Damron also noted that both of the EDB projects will provide wages that are higher than the average in Kentucky, and he believed that is the direction the General Assembly wants to see the state's economic development programs go.

Senator Buford made a motion to approve the 2 EDB grant projects, with approval of the Hopkinsville project contingent on approval by KEDFA. The motion was seconded by Senator Nunnelley and approved by unanimous voice vote.

Ms. Marilyn Eaton-Thomas of the Kentucky Infrastructure Authority (KIA) was present to report 2 new loan projects and modifications of several previously approved projects. First was a new loan of \$528,000 from KIA's Fund B (the Infrastructure Revolving Loan Fund) to the Hickory Water District, Graves County. The loan will assist in funding a new 500,000 gallon water storage tank near an industrial park and make water system improvements. The project will enable the system to extend service to Remington Arms, a firearms manufacturer locating in the industrial park. Ms. Eaton-Thomas said Remington has committed to create 95 jobs in its first phase of operations and 300-400 within 3 years. The storage tank is also needed by the Water District to address a mandate by the Division of Water to increase its 24-hour storage capacity.

Other funding for the project includes a grant of \$500,000 from the US Economic Development Administration (EDA), for a total project investment of \$1,028,000. The Fund B loan will be at 1.8% (hardship rate) for 20 years. Ms. Eaton-Thomas noted KIA approval is tied to approval of the EDA grant. There are no additional residential users and no immediate rate increase associated with this project; however, KIA reported the Water District is likely to seek a rate increase from the Public Service Commission in 1997. The average monthly water bill for the 1,070 residential users is \$13.01.

In response to a question from Senator Buford, Ms. Eaton-Thomas said she would report back on the product to be manufactured by Remington Arms.

Senator Nunnelley made a motion to approve the Fund B loan for the project, subject to the Water District meeting the conditions stipulated by KIA. The motion was seconded by Senator Buford and approved by unanimous voice vote.

Ms. Eaton-Thomas also reported a proposed loan of \$1,156,400 from KIA's Fund C (the Governmental Agencies Program) to the City of Oak Grove, Christian County, to finance (100%) a project to extend sewer service to 150 residences currently using

conditions: (1) the City pledges both water and sewer system revenues to repay the loan; (2) certification that the City is and will remain in compliance with Rural Development (formerly Farmers Home Administration) loan covenants requiring 120% debt coverage; and (3) certification of Rural Development's consent for the City to enter into this loan.

Representative Wayne made a motion to approve the Fund C loan for the project, subject to the City meeting the conditions set by KIA. The motion was seconded by Senator Buford and approved by unanimous voice vote.

Ms. Eaton-Thomas also reported increases in loan amounts for 4 previously approved projects. First was a loan of \$2,641,316 from Fund A (the Federally Assisted Wastewater Revolving Loan Fund) to the City of Catlettsburg, Boyd County. The Committee approved the loan in August 1994 on a \$5,161,316 project to renovate the City's sewer treatment plant, address deficiencies in operating standards, and extend service to new users outside the city limits. Project funding included \$1,000,000 in a Community Development Block Grant (CDBG), an ARC grant of \$400,000, \$1,000,000 in local funds, and \$120,000 in pledged tap fees. In December 1995, KIA reported a 6-month extension.

Ms. Eaton-Thomas said KIA was now reporting an increase (\$558,684 - 21%) in the Fund A loan to meet the low bids received on the 4 separate contracts (wastewater treatment plant renovations; pump station rehabilitation; interceptors and collection lines; and combined sewer overflow rehabilitation). In addition, the CDBG grant has been reduced by \$41,344. The revised KIA loan amount is \$3,200,000; total project scope is now \$5,678,656. The interest rate on the KIA loan will remain at 0.6% for 20 years. Catlettsburg will increase its monthly sewer rates from \$13.38/5,364 gallons to \$25.96/5,364 gallons for in-city customers and \$25.99/4,298 gallons for customers outside the city.

Ms. Eaton-Thomas said the City is under an agreed order from the state Division of Water, and has paid fines of about \$700. In response to a question from Senator Buford, she said the enforcement action is on hold to give the City time to get this project underway.

KIA approval is subject to the following: (1) documentation that all other funding sources or their equivalent replacement are in place; (2) review and approval by the

Ms. Eaton-Thomas reported loan increases of less than 10% for 3 previously approved projects. She said KIA staff has approved these requests, which involve only minor changes in the scope of work originally approved and no further increases in service rates.

1. Webster County Water District - In June 1995, the Committee approved a Fund B loan of \$580,000 on a \$1,320,960 project to construct 9 miles of water lines and 2 storage tanks to improve flow and pressure for system users, and to permit expansion by P&M Mining, creating 58 new jobs.

KIA reported the project has been completed but went \$138,779 over budget. The Water District finished the project with its own funds. Ms. Eaton-Thomas said KIA staff determined the rate structure would support requested additional loan funds of \$58,000 (10% increase), and the commitment for job creation was increased from 58 to 129, so KIA staff approved the request. New total project scope is \$1,459,739.

2. City of Mt. Sterling, Montgomery County - In May 1996, the Committee approved a Fund B loan of \$2,242,735 to fund (100%) construction of a ground water storage facility with a 5 MGD capacity and 3 miles of water line, to help meet peak demands and assure industrial customers an adequate water supply. The improvements also were to serve an industrial park near I-64, including a new plant owned by Hoffman Engineering, an electrical cabinet manufacturer who committed to creating 400 new jobs.

KIA reported the project scope must be increased \$267,231 to meet the low bid. Ms. Eaton-Thomas said the water storage specifications were adjusted slightly before the project went to bid, and KIA staff approved a 10% increase (\$224,274) in the Fund B loan. Mt. Sterling must provide the remaining additional funds (\$42,957). New total project scope is \$2,509,966.

3. Martin County Water District - In October 1991, the Committee approved a loan of \$1,250,992 from KIA's Fund B2 (Drinking Water Loan Fund) on a \$2,155,942 project to construct 38 miles of water line and two 100,000 gallon storage tanks to extend service to 422 new residential users and improve service to existing users. Water rates increased from \$25.64/5,200 gallons to \$29.74.

Ms. Eaton-Thomas said the project scope has been increased to \$2,528,556 to

KIA provided status reports for its loan and grant funds - Funds A, B, B1, B2, C and E. In response to a question from Senator Nunnolley, Ms. Eaton-Thomas explained what the various loan funds were: Fund A is the Federally Assisted Wastewater Revolving Loan Fund; Fund B is the state-funded Infrastructure Revolving Loan Fund, which is tied to job creation; Fund B1, the Drinking Water Grant Fund, was authorized by the 1990 General Assembly to provide grants for specific local water service projects, and is now exhausted; Fund B2, the Drinking Water Loan Fund, was created by the 1990 General Assembly for water projects in 4 Eastern Kentucky ADD Districts; Fund C, the Governmental Agencies Program, is a market-rate, user-supported loan program which involves no state or federal funds; and Fund E is the state-funded Solid Waste Revolving Loan and Grant Fund.

KIA also reported 2 information items. First, a loan adjustment was reported for a Fund B loan of \$4,445,372 approved by the Committee in September 1994 to the City of Henderson, Henderson County, on a \$7,445,372 project to construct water and wastewater treatment plants, a water storage facility, and service lines to accommodate a Hudson Foods chicken-processing operation in Henderson, McLean, and Webster Counties. Other funding included a \$2,000,000 CDBG and a \$1,000,000 US EDA grant. The EDA grant subsequently was increased to \$2,000,000, and the Fund B loan was decreased by \$1,000,000 to \$3,445,372. In June 1996, KIA staff approved a \$100,000 (2.9%) increase in the Fund B loan.

KIA reported that the improvements are in operation, but went over budget by \$316,449 (including the \$100,000 loan increase earlier approved by KIA staff). Henderson requested that the Fund B loan be increased to cover the additional cost. KIA staff approved the request because the increased Fund B loan amount of \$3,761,821 was still within the originally approved loan amount of \$4,445,372, and the 7.1% increase in the loan amount was within KIA staff's authority to approve. Total project cost is now \$7,761,821.

Information also was provided on the new Drinking Water State Revolving Loan Fund, part of the Safe Drinking Water Act Reauthorization. The program will begin operation in 1997 with \$12.6 million in federal funds, and \$2.5 million in state funds (authorized by the 1996 General Assembly). Loan funds may be used for planning and design, land acquisition, water system consolidation, and infrastructure improvements. KIA plans to submit its proposed program to federal authorities by August 1997 and to be ready to start accepting applications in September. Chairman Damron said the

a. Jackson County - with gross proceeds of \$1,900,000, to refinance school district bonds sold in 1989. Annual SFCC debt service participation of \$115,280 and locally-funded debt service of \$84,803. (The Committee approved a bond issuance to refund the 1989 issue in February 1996, but market rates caused the sale to be delayed.)

b. Mayfield Independent (in Graves County) - with gross proceeds of \$1,265,000, for roof and HVAC renovations. Annual SFCC debt service participation of \$7,529 and locally-funded debt service of \$99,721.

c. Johnson County - with gross proceeds of \$5,000,000, to fund major renovations at WR Castle and Porter Elementary Schools. Annual locally-funded debt service of \$402,194 (100%). (The Committee approved an SFCC-assisted bond issuance in May 1996 with proceeds of \$7,360,000, to fund construction of a new elementary school and renovation/addition projects at 2 elementary schools. It was reported that the new elementary school, with the SFCC support, has been dropped from the issuance and will be undertaken at a later date. The bonds for the renovation projects, with 100% local support, are scheduled for sale in February 1997.)

d. Pineville Independent (in Bell County) - with gross proceeds of \$575,000, to refund 1987 bonds. Annual SFCC debt service participation of \$45,838 and locally-funded debt service of \$30,496. (The Committee approved this refunding issue with proceeds of \$595,000 in November 1996; the primary change is a new fiscal agent.)

Bond Payee Disclosure Forms and additional preliminary information for each proposed new bond issue were provided, and none of the issues required an increase in local school tax rates. Representative Wayne made a motion to approve the new SFCC-assisted school bond issues. The motion was seconded by Senator Nunnelley and approved by unanimous voice vote.

Chairman Damron asked what is done with SFCC's portion of the interest cost that is recovered when SFCC-assisted school bonds are refunded at a lower interest rate. Dr. Robert Tarvin, Executive Director, SFCC, said the funds are either reallocated by SFCC to other school bond projects if the amount is sufficient, or they revert back to the state's General Fund. Chairman Damron asked Dr. Tarvin to report back on how much of SFCC's refunded interest moneys has reverted back to the General Fund since the General Assembly enacted the Kentucky Education Reform Act in 1990. He said he has received complaints that not enough is being invested in school facilities, and he believed that refunded interest moneys recovered by the SFCC should stay with the SFCC for reinvestment in school facilities.

with the bond issue. Bond payee information must be provided for the locally-funded school bonds prior to their issuance, but Committee action is not required.

Chairman Damron said next was a proposed new small loan program of the Kentucky Interlocal School Transportation Association (KISTA). Present were George Binion, President of KISTA, and Terrell Ross of Ross, Sinclaire & Associates, along with Roger Peterman of Peck, Shaffer and Williams and Henry Reed, both serving as bond counsel. Chairman Damron noted that, at its July meeting, the Committee discussed the prohibitive costs of issuance for small school bond issues.

Mr. Binion said KISTA was organized in 1990 to help school districts purchase new school buses. At that point, gasoline-powered buses were being replaced by diesel-powered units for safety reasons, and many school districts needed a financial vehicle to assist with purchases. Since its formation by 15 school districts, KISTA has purchased over 1,600 buses on state bid for almost every school district in the state at a total cost of about \$70 million. Local boards of education and the state Department of Education have been very pleased with the program, and Mr. Binion said he believed it has served the citizens of Kentucky well.

Mr. Binion said last year KISTA provided a new program to school districts called the Tax and Revenue Anticipation Note (TRAN) program. That program has earned about \$650,000 for the 41 school districts who participated. It started with a relatively small number of districts, but KISTA expects once the program has a track record, more districts will participate.

Mr. Binion said the new small loan program is expected to be beneficial to all school districts. It is very expensive for a school district to issue bonds of less than \$500,000, because of the fees that must be paid to financial advisors, bond and tax counsel, and other participants. Consequently, some districts are unable to take advantage of SFCC funds available to them, and KISTA believes this program will provide a new avenue of financing for those districts.

[Information provided by KISTA indicates it plans to create a \$40 million loan pool by administering 10 separate securities issuances, each for \$4 million with a term of 23 years, at one-month intervals starting mid-February, 1997. (By keeping each issue under \$5 million, KISTA will avoid federal tax code restrictions on arbitrage.) The bonds will be issued under the names of schools districts selected by the KISTA Board;

Senator Nunnelley asked if KISTA is a state agency and who administers it, and who gets the earned arbitrage associated with the loan program. Mr. Ross said KISTA was created in 1990 under the Interlocal Cooperative Agreement Act, when 15 school districts joined to form a not-for-profit compact association of superintendents statewide. KISTA has no offices or staff, and it meets 3-4 times per year when there is business activity to take place. KISTA was formed to assist school districts with common financing needs, where economics of scale could be realized by doing things jointly. Mr. Ross said similar small loan programs are operated by counties and cities through Area Development Districts (ADDs) and the League of Cities. They have been operating these programs for about 2 years and they are very successful.

Mr. Ross said there will be 2 planned uses of the earned arbitrage, with the first being to pay all costs of issuance. Since there will be no issuance cost, the program will provide new financing for projects of \$500,000 or less. It will also be used to refinance bonds with a current call on them. The KISTA Board will determine what to do with any excess arbitrage moneys left after that, he said, and it is projected there will be funds left. He anticipated the KISTA Board will either give rebates to school districts or buy down interest rates in the future. He also noted the Board will not know what the surplus amount is until the 3-year lending period is up.

Senator Nunnelley asked if the KISTA member school districts elect its Board. Mr. Ross said that is correct, and KISTA has its own bylaws and articles of incorporation. Senator Nunnelley asked if KISTA annually solicits bids on professional services. Mr. Ross said any contract to his knowledge is only good for one fiscal year at a time. He said Ross, Sinclair has acted as financial advisor to KISTA since the firm started, and in finance, it is usually the firm that has got the idea and brings it to the table that acts as financial advisor. He noted the fees proscribed in the report to the Committee are fees set by SFCC, and SFCC has always been adamant that districts stay within the fees set in administrative regulation.

Representative Wayne asked if KISTA has the same selection process for bond counsel and fiscal agents as is used on the state level. Mr. Ross said that was correct, and he believed the process is called negotiated competitive bid. It is considered a professional service and the fees are proscribed for fiscal agents and bond attorneys by SFCC scale. Mr. Howard of OFMEA said the fee structure is established in regulations so terms of compensation for financial advisors and bond counsel would be

Representative Wayne said while this is a great program, his concern is that it function above-board and there is no favoritism. He said the state process for selection of bond counsel and fiscal agents has worked well, so the question is raised why KISTA would do it differently. Mr. Peterman said these types of services are really not commodities; this particular program was one Ross, Sinclair and Associates and Peck, Shaffer and Williams developed, and as far as he knew was unique. They have worked jointly on the League of Cities program where it was first developed and also with the ADDs. He said the presentation to KISTA was that the 2 firms had developed this program and KISTA was asked if it was interested in pursuing this particular financial structure.

Mr. Howard noted that the state Model Procurement Code does provide a special exemption for unique financings where the Secretary of Finance could in fact appoint a financial advisor or an underwriting firm to perform work that they deemed to be unique, and not go through the competitive bidding process, should that situation arise. So, the process described for the KISTA program is not totally at odds with state statutes, he said.

Tom Willis, Associate Commissioner of the Department of Education, was asked to respond to concerns raised. He said KISTA and its Board of Directors do not fall under the administrative control of the Department of Education, so in his opinion the Board is free to use whatever process it wants to select its bond counsel and fiscal agent. He said if Education had the authority, it would probably suggest that KISTA either put out an RFP or go through some other process in selecting fiscal agents. He said at times the Department has encouraged school districts to use some type of bidding process. Since bidding is not required and it is a professional service being contracted for, Education encourages it but cannot require it.

Chairman Damron said his understanding was this was basically the same way local governments, the League of Cities, and the Kentucky Association of Counties (KACo) acquire professional services. The difference would be between state agency issues and local government issues. He said it seemed Representative Wayne was questioning if the state should require a greater level of oversight in the selection of bond counsel and financial advisors not only for state agencies, but also for local governments, cities, counties, KACo, and all of the other organizations that operate in some form or fashion under the umbrella of government.

Senator Buford asked if, through KISTA's school bus program, school districts can select the model of bus they want. Mr. Binion said that is done through the regular state bidding process; the Department of Education takes a statewide bid, and anyone who wants to buy a bus buys it through the Division of Pupil Transportation. He said KISTA's role is restricted to financing.

Senator Buford asked if the legislation to provide public funds for private transportation in schools has affected the number of buses being bought. Mr. Willis said those funds are in the Transportation Cabinet's budget so they have not affected the buses bought through Education. He said specifications and bids for all school buses are done through the Department of Education. The Department places all orders, and districts can choose to pay cash or to use a funding mechanism like KISTA. In response to further questions from Senator Buford, Mr. Willis said, and Mr. Binion agreed, that the state-negotiated price for school buses was very competitive. Mr. Binion said school districts are basically reimbursed through the process over the life of the bus through Education's Division of Pupil Transportation.

Chairman Damron said this was not a formal approval process; KISTA came to enlighten the Committee on the direction it was going, and the Committee appreciated KISTA providing the information. He said he understood KISTA would be back before the Committee as bonds are issued, and loans made to districts will be reported in a timely manner.

Senator Nunnelley thanked KISTA's representatives for coming today; he said he felt more comfortable about the program after the discussion.

Mr. Howard of OFMEA also reported a new bond issue for Western Kentucky University (WKU) - Consolidated Educational Buildings Refunding Revenue Bonds, 1997 Series M, with gross proceeds of \$6,625,000. Proceeds of the issue will finance a complete refunding of WKU's Series I bonds, which were issued in 1987 to finance renovation and infrastructure improvement projects and are callable on May 1. The Series M bonds are expected to sell by competitive bid in early February 1997 for 10 years at 4.72%, with ratings of A and A-. Total present value savings to accrue over the life of the bonds are estimated at \$372,895. Senator Buford made a motion to approve the new WKU bond issue. The motion was seconded by Senator Nunnelley and approved by unanimous voice vote.

existing bond issue is a 15-year issue with an interest rate of 5.76%; savings data is not available but market conditions are expected to yield a similar interest rate. He said the advantage of this transaction is to provide consolidated financing. He said a rating being sought from Standard & Poor's is expected to be AAA.

NOTE: The Commonwealth serves merely as a "conduit" for KEDFA bond issues. The Commonwealth issues the bonds at a tax-exempt rate for the benefiting institutions - in this case, Pikeville United Methodist Hospital of Kentucky, Inc. - but the benefiting institutions have the full responsibility for repayment of the bonds. As required by statute, the Official Statements for KEDFA bond issues clearly stipulate that the Commonwealth has no responsibility whatsoever for repayment of the bonds.

Senator Buford made a motion to approve the new KEDFA issue. The motion was seconded by Senator Nunnelley and approved by unanimous voice vote.

Also provided was a follow-up report (approval letter) for a previously approved bond issue: University of Louisville Consolidated Educational Buildings Refunding Revenue Bonds, 1996 Series L, with gross proceeds of \$15,275,000, approved by the Committee in December 1996. The bonds financed a partial advance refunding of U of L's Series G bonds which financed the Student Activities Center and the Research Animal Care Facility. The Series L bonds sold on December 18, 1996 by competitive bid at 4.9%, with maturity on May 1, 2007. The issue had ratings of A1 and AA-. Total net present value savings to accrue over the life of the bonds is \$568,873.

Senator Nunnelley asked about the issuance costs, noting the report says cost of issuance of \$61,100 plus a discount of \$190,928. Mr. Howard explained the par amount of the bonds is \$15,275,000, but the bond purchaser, Morgan Keegan & Company, actually purchased the bonds for \$190,928 less than that amount and presumably offered them to the public at par. Morgan Keegan received that amount as profit, not U of L, he said, but Morgan Keegan also took the risk if interest rates rose, which in fact they did. He said the \$61,600 is the cost of issuance, meaning the fees and expenses paid to bond counsel, financial advisors, rating agencies, banks, and accountants. Senator Nunnelley said it seemed \$61,100 was a good deal for services on a \$15 million issue. Mr. Howard said it was quite reasonable.

OFMEA also provided for the Committee's information updated monthly and weekly debt issuance calendars.

Session at \$675,000 in General and Bond Funds. He said the project underwent reductions before bid to reduce its cost, but the lowest of 4 bids came in at \$770,200, an increase of 14.4% over the authorized scope. The Finance Cabinet and the Parks Department concluded this was the best deal the state will get on the project, and Finance asked for a bid delay from the contractor so the Committee could review the project before the final bid was awarded. The project includes ADA-related accessibility to the pool area and bathhouses, filter and mechanical system upgrades, electrical upgrades, and water features for the wading pool. Senator Buford made a motion to approve the contingency allocation. The motion was seconded by Senator Nunnelley and approved by unanimous voice vote.

Mr. Hintze next reported Phase II for an unbudgeted, federally-funded project - the Geographic Information Systems (GIS) statewide digital basemap. In July 1996, the Committee approved \$252,500 of contingency funds as the state match for \$612,500 in federal funds to fund Phase I of development of the basemap. Mr. Hintze said this is an opportunity to capture additional federal funds to assist the state in an effort it was already committed to. If the state provides an additional \$379,000, proposed also to come from the contingency account, that will be the state's match to get \$1,137,000 in federal funds for the next phase of the project. In order to stay on schedule, and to assure the state can provide the match and get the federal funds, the pledge for additional funds needs to be made now. He said in July the Committee was told that Phase I would result in a productive, usable product for the state, and that is also true of Phase II. [Information provided by the Finance Cabinet indicates that Phase II funds will be used to produce Digital Orthophoto Quarter Quads (DOQQs) from 1997 aerial black-and-white photographs.]

Mr. Hintze said he did not want to mislead the Committee; this is by no means the final phase of an extensive process, though there have been no additional state financial commitments made. The state will consider the phases on a case-by-case basis, based on the availability of federal funds, urgency of providing the state match, when the General Assembly is or is not in session, and the best interest of the Commonwealth. He said the phases will be reported to the Committee as the process moves along.

Representative Wayne asked if there is a Special Session before January 1998, will the Governor put this project on the call for legislative approval. Mr. Hintze responded that would not necessarily be the case; the Governor's interest continues to

out. He said Finance Secretary John McCarty, Secretary of the Cabinet Crit Luallen, and GOPM will be looking at that issue but it depends on how strong a case is made, by the Legislative as well as the Executive Branch, and how much further the account is depleted by that time. He said with the allocations being made today, the account balance is about \$8 million.

Representative Wayne said everyone probably shares a concern that the contingency account is dwindling; according to his information, the balance after today would be \$7.2 million. At that rate, he said, the state can allocate only \$400,000 from the contingency account per month, and with all of the Parks Revitalization and other projects underway, it raises concerns that the state cannot complete projects already approved by the legislature. He noted the basemap is a project the legislature has never approved. Mr. Hintze said the legislature has never directly funded the project; but the Executive Branch has been urged by any number of legislative committees and bodies, including this one, to give this project priority standing. At the time it was considered during the 1996 Session, it was hoped and understood the project would be included in EMPOWER Kentucky.

Chairman Damron said he shares the frustration expressed by his colleagues that the legislature is out of the process when it is not in session, and the contingency account is being used to pay for projects not authorized by the General Assembly. This Committee was established to provide oversight for the contingency account, which it sees being drained very quickly. The Committee has a responsibility to the rest of the General Assembly to see that the contingency fund is sufficient to fund overruns for authorized projects. He said his concern is the Executive Branch is doing things for which the Legislative Branch has not given its okay. He said this is the balance of power struggle the 2 branches are always in. If these projects are the right thing to do, then the General Assembly should be involved. He said to have a Special Session that does not include additional funds for the contingency account, which is running very low in light of likely future needs for authorized projects, is not playing fair with the General Assembly.

Senator Buford said there have been reports that perhaps in the next 3-5 years through satellite technology the GIS product may be provided to the state without the expenditure of state funds. He also said he does not know what good one more map will do. Mr. Hintze said one of the concerns is that the state does have many maps; every agency is paying for its own GIS maps and they are incompatible and expensive.

providing state matching funds from the contingency account, upon legitimate reporting to this Oversight Committee which is being done today. Mr. Hintze said the Administration is following the law as enacted to do the best it thinks it can for the taxpayers, and it would be presumptuous for him to say he can outline the Governor's agenda for the special session call. He said he has brought the issue of the contingency account to the Governor's attention, as others have brought other important matters to his attention, and the Governor has made no commitment. He said GOPM and the Finance Cabinet continue to monitor the contingency account, and they continue to make allocations conservatively. He said they also are concerned that the state have enough money to deal with all of these issues, but he cannot make that commitment today.

Senator Nunnelley made a motion to approve the contingency allocation for the unbudgeted, federally-funded project. The motion was seconded by Representative Wayne.

Chairman Damron asked, if the Committee does not approve the allocation today, whether the Finance Secretary will make the allocation anyway. Mr. Hintze said the Administration will follow the statute; he will go back to Secretary McCarty, report the Committee's concerns, and ask him to consider the Committee's lack of approval and make a judgment. Under the law, the Finance Secretary can proceed, but he can also defer or modify. Chairman Damron acknowledged the Secretary can proceed under LRC vs. Brown.

The motion to approve the allocation was adopted by voice vote.

Mr. Hintze said the next project involved a land purchase from the Kentucky Heritage Land Conservation Fund (KHLCHF), which was established by the 1994 General Assembly. The Department of Fish and Wildlife Resources will advance from its land acquisition pool \$755,000 for the purchase of a portion of the land in the Boone Wildlife and Recreational Forest Project in Bell County as has been approved by the KHLCHF Board. The advance will be reimbursed from the KHLCHF.

Senator Buford asked from whom the land will be purchased and what will be done with the property. Mr. Hintze said it will be purchased from Wheeler Boone. Dr. William Martin, Chair of the KHLCHF Board, said it will be jointly managed by the Division of Forestry, the Department of Parks, and the Department of Fish and Wildlife

in funding a replacement boiler for the Kentucky State Police (KSP) Supply Facility in Frankfort. KSP planned to fund the project with \$36,000 from its maintenance pool, but when the 10 bids came in, the cost was substantially more at \$84,100. KSP's maintenance pool is depleted, and Mr. Hintze said the project was a perfect candidate for funding from the Deferred Maintenance Pool inasmuch as the boiler is an essential item and KSP had no other means of funding it. Chairman Damron said the report was provided for the Committee's information.

Chairman Damron said staff had provided recent news articles for the Committee's information. He said the meeting date for the Committee pending approval by the LRC will be changed from the fourth Tuesday to the third Tuesday of the month, due to conflicts with members' new committee assignments. He said the February meeting was scheduled for the 18th at 1:00 p.m. He noted a demonstration of GIS technology would be held in the adjacent room immediately following the meeting. There being no further business to come before the Committee, the meeting was adjourned at 3:30 p.m.